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ADDRESS BY MR. ROBERT AMORY, JR.

BEFORE THE US ARMY WAR COLLEGE, CARLISLE BARRACKS, PENNSYLVANIA

22 AUGUST 1957

BRIEFING: THE WORLD SITUATION

General Johnson, gentlemen. It is a pleasure to return here. I am sorry this year I am not returning for a full two weeks as I did two years ago, and have a chance to sit where you are sitting instead of having to work up here.

The topic, of course, is an impossible one to undertake in anything like this time. I am going to try and give what I consider a selection of those areas and situations which are of most interest to us as citizens and as people engaged in the work that you have ahead of you this year. I hope that in the question period anyone will feel free to raise a topic or an area that I just have to skip in my direct presentation, and I will be happy to try and deal with it at that time.

We have been through or are in the process of a very extraordinary year. It is characterized by many events and unexpected events, unexpected twists in events, but particularly by coincidence of what I call cancellation of two terrible errors, one on the part of our major enemy and one on the part of ourselves. It is, I think, worth bearing in mind as we go through this, how different the world situation would be if either of these errors had not been committed while the other one was. I refer to the Suez debacle on the part of the

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West and the Hungarian debacle on the part of the Soviet Union. Had we made the mess - we, our allies, made the mess that was made in Suez while the Soviets continued with the successful new look that they started in 1955 without having to strip the velvet off the mailed fist, I hate to think where we would have been. Conversely, if we hadn't got into the disarray that we did over Suez and been able to present the kind of front that I am sure we could have over Hungary, if our leaders' eyes hadn't all been directed at Suez, a major victory instead of this self-cancelling stalemate might have been had in Eastern Europe.

Let me start, to have some organization of this, by dealing with the internal situation in the Soviet Union, in Moscow, the heart of our troubles; spread out from there to the next skin of the onion, the satellite world in Red China; and then go somewhat selectively around the free world picking up particularly areas of sourness and softness for inspection.

With respect to the changes and struggles for leadership in the Soviet Union, I would stress one thing above all, and that is that principles are at stake, not just a pure Byzantine struggle for power for power's sake. I'm sure there are Soviet experts who will take the opposite point of view, but I am convinced that the great majority of the thinking observers of the Soviet scene believe as I have stated. This struggle goes back at least ten years. It showed up in the days of Malenkov's and Khrushchev's rivalry. I think

most people believe Zhdanov was done to death quietly, as they did things in Stalin's day as part of that struggle. We see it again in the 19th Party Congress just before Stalin died when Malenkov thought he had ensured sufficient political hold on the central committee and otherwise to ensure his succession. An interim digression came when the boys all ganged up and got rid of Beria, because they didn't like the secret policeman lunging toward the top or even being close to it. They wanted him well down on the service list. But it broke out again at Christmas time '54 and ran on to early '55 at which time Khrushchev, in an alliance apparently with the Army and the heavy industry boys, fixed Malenkov's wagon. They got him out of the prime-ministership, as you remember, and demoted him to minister of power stations.

This internal crisis was followed most dramatically by a series of initiatives on the world scene: Austrian Treaty, the air program to underdeveloped countries, arms to the Near East, and so on and so forth, particularly making up with Yugoslavia, and reached its climax in the 20th Party Congress of February 1956. There the liberals, (probably an unpleasant use of a great word, but it is characteristic as compared to the other side), Mikoyan, Khrushchev and company, were riding high, and they gave their people a brand new platform and a greater change in concept than they had had really in forty years: to wit, coming out four square on the principles of the non-inevitability of war, that there were many different roads to socialism i.e., to communism, and the head-shrinking of Stalin, as Chip Bohlen called it, accelerated into total obliteration.

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Why did they suddenly decide they had to get rid of Stalin as a father image? In one or two words, it was merely this: that having made such a decisive break with Stalin's principles, they had to destroy the man and the image at the same time, because everybody down the line would say: "Well, that isn't the way Stalin did it," or "That isn't the way it was done in Stalin's days. You must be wrong." So they had to prove that Stalin was in large measure wrong, and they did that. As somebody said, it was quite a job. It was like suddenly converting George Washington into a combination of Al Capone and Benedict Arnold. And it wasn't too easy. Also it was done with full recognition probably of the cost to the Soviet and communist prestige in the European parties and in the satellite areas. They paid heavily, as we all know. I will come to the satellites in a minute, but keeping our eye on the leadership business it is clear that the price they had to pay in Hungary was higher, obviously, than they had forecast, and Khrushchev received a very perceptible setback at Christmastime last year. The boys were obviously highly critical of him, and he went on the defensive; but an old infighter, he never gave up his quest for both his own personal power and what he thought was the right.

He made two particular appeals, it seems to us. One is to the consumer by coming out even more than before for better life for the farmers and more food, et cetera, for the people in the cities and at the same time decentralizing the control of the economy away from the well established bureaucrats or technocrats. These moves united

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for the first time all the opposition to him into one cohesive group: the technocrats, the old Stalinists, and the hide bound bureaucracy heading up the gigantic ministries in Moscow, all saw themselves threatened, and during the spring we were pretty convinced that something big was going to happen. I will say that we did not know, exactly what or when and it is extraordinary and discouraging, that there can be a meeting of the Central Committee of 250 of the top people in the Soviet Union and we not know it till after it has happened and they have chosen to announce that such a meeting was going on. We had suspicions that it was but you couldn't possibly prove it. At any rate, Malenkov, Molotov and Kaganovich felt that they had reached the point of no return - either they stop Khrushchev and his ways and he would prevail and they were headed for oblivion. They picked a time, June 18, when they had a momentary high percentage if not unanimity except for Khrushchev on the Presidium (the old Politburo of eleven people) called a meeting and said: "O.K., boy, you are through." "They" did not include Bulganin. Bulganin apparently got out of the line of fire by arranging to have himself elected temporary non-voting chairman of this meeting, which form of cowardice or whatever you want to call it has probably made him a lame duck at the moment, but at least he didn't go into open opposition, and they said to Khrushchev: "You can be Minister of Agriculture, but that is it." Well, he was backed by only two people who are non-voting members, so-called candidate members, Madame Furtseva, who is reputed on fairly good authority to be his mistress, and General Zhukov. And they got

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word out to the sticks - to the central committee members that awful things were happening and the old policy would be reinstituted, the policy that they characterized by the rather chilling phrase - "tightening all the screws," both internally and externally. And these boys apparently descended on Moscow by airplane, or by the fastest means they could. The Soviet ambassador to Paris tried to get a special plane back, but he couldn't arrange with the French foreign office in time to get landing rights for his plane; so he drove personally all night, starting at midnight to East Berlin, in order to get a plane there and make the meeting. So, it was a very dramatic shake up. And once there, the fact that Khrushchev had really put his boys in the Central Committee, was clear, and very rapidly the meeting turned the tables 180° and as you all know, the so-called "anti-party group" was stigmatized and thrown out of office and off the Central Committee, et cetera, et cetera. In other words he, Khrushchev, won, hands down. It is important to remember, finally, in this that there was nothing particularly in common about Malenkov and Molotov and Kaganovich. He got rid of the old Stalinists on the matters of principle, but probably threw in Malenkov to boot, because Malenkov was the cleverest, the most dangerous and the only one of them younger than he was in high position. Therefore, in making a clean sweep, he included him and, as you know, exiled him to a small power station in Eastern Siberia.

It is also important to notice that this Central Committee thereby emerges as a sort of court of last resort. It is a little like the baronage of Medieval England. It has nothing to do with modern democracy or separation of powers, but after all, even in the days of absolute divine right of kings and so on and so forth, there always was some other grouping of people, who, when the king died, or two kings were rivals for the throne was the repository of power, and today you see it, I think quite clearly, in the Soviet Union, and that is brand new and very important. It is at least a form of move away from oriental despotism, one-man obscurantist absolutism, that can be a good development. These people are, after all, chosen by their managerial ability. It is a little as though you had the US directors of the Chamber of Commerce and the American Banking Association, National Association of Manufacturers, and the big unionists plus the party state chairmen of both parties, aggregating about 250 people from all over the country, meeting and making final decisions.

Don't over-estimate the Army's role and Zhukov's in this. At least in reading the press you occasionally get some rather lurid articles about how Zhukov is the real man behind the scenes with the Army calling the tune. The Army is very influential, but so was Admiral Radford and so I'm sure so can General Twining be in our councils of state. But they speak primarily on military matters or political matters that directly impinge upon the military security of the Soviet Union. No one can be in power, I would say, as to whom the Army has a feeling he is a threat to the military security of the

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Soviet Union, but if that is a question not an issue as between two rivals, the Army will essentially play hands-off. We believe that Zhukov is by no means capable of delivering the Army personally, and he probably is the most popular commander in the same way that General Omar Bradley, the soldier's soldier, was a very popular figure, but even when he was Chief of Staff of the Army he couldn't have led it along undemocratic lines or anything like that. Don't ever forget that the Soviet Army - 77% of its members, officers and men, are either communists or Komsomols, young communists, and virtually all the officers are members of the party.

Now, we look on these results as probably beneficial rather than the other way in this sense only - that had the other side won, we would have had to batten down the hatches and get ready for a pretty rough breeze of wind. On the other hand, it doesn't lead us into any feeling of complacency, because, fairly clearly these people who have come out on top, Mikoyan, Khrushchev, et cetera, are flexibly minded, light on their feet, and you are going to see an awful lot of kind of razzle dazzle football as we saw in 1955 with which I regret to say, I think the free world is probably far less capable of coping than it would have been with another Korea or some heavy footed action like that. And under no circumstances, do we expect a lead from weakness on their part. That is, I think, what we are seeing on this disarmament today. They look awful sticky primarily because they fear more than any thing else making a move that looks like they are caving in before united pressure.

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What is the main concept behind these people? Why are they confident? The Lord knows they are confident, that they have got hold of the right handle of history. I believe if you will read carefully the major speeches at the 20th Party Congress, (and I hope that during the course of your time here, you will have time to read both Khrushchev's public speech, and all of these are available in the library, I know), and his secret speech which has been published in many different forms. They are key documents of our times, but out of them and other speeches shows a very great confidence in one thing, and that is that the ultimate domination of the world is going to turn on physical, industrial, economic power, and that their system is the better system for achieving that number one position, and that they are on the way to it, provided they don't get involved in another all-out war - any kind of war, but particularly, of course, in all-out nuclear war. Now, their case on this score is not one to scoff at, and I haven't time in this brief talk more than to outline some of the high points of it. After all, they ~~deal~~ in terms of epochs. They think long term. They, for example, today constantly talk about the post-war epoch. That doesn't mean four or five years to them. That means the post-war generation - 1945 to 1975 - six five-year-plans worth, and right now standing roughly toward the middle of that, they see that from 1945 to now they have moved industrially from one-eighth the size of the United States to two-fifths. In gross national product they look a mere three or four years ahead to the middle of

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this period or 1962, I think the figures are exactly, when their GNP will be half of ours. Their growth rates both in GNP and in industrial production are roughly speaking three times ours, anyway you slice it, taking the inflation out, leaving the inflation in, or otherwise, you come out with their industrial growth rate about ten per cent per annum compounded, ours about three and a half, and this year by the way, it looks like we will be lucky to stay even. GNP-wise six and a half as against two and maybe a little fraction. And if you take a piece of semi-logarithmic paper and plot these, or get your little slide rule out and work it out, you will find in nineteen years, if all goes on these slopes continually, there will be a tie ball-game.

In machine tools, for example, they already are out-producing us two for one, and anybody who stops and thinks realizes that those are the fundamental multipliers of an industrial economy and when we produce sixty-four thousand in a year - last year, and they produce a hundred and nineteen thousand, I get much more concerned than when I find they have got four more Bisons or two more submarines. The key, of course, is investment. The fact is that they just plain invest, save, deny themselves about twice as much, and put it into producer's goods each year as we do, not in absolute terms, but proportionate. We have had a rough enough time trying to keep this world situation from deteriorating hopelessly, while being by all odds the number one industrial power on the earth. How well are we going to do when we are a tie for first or worse?

At the same time, don't read our speeches by our leaders and take them too seriously about their grinding the heel of the poor consumer.

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They are giving the consumer a little more each year. Everybody, whether he is in the middle rank bureaucracy, or the low man on the totem pole in Kolkhon has it a little better next year or this year than he had last year. One guy said to a friend of mine, (he works in a prosecutor's office like a junior district attorney in Moscow) - he said, "Well, last year I got a refrigerator, this year I have got a television, and next year I am going to get a washing machine." I think the system is working pretty good as far as I am concerned. Well, you only have to go back about ten years in America, or at most twenty years, and that would have been considered pretty good for a median white-collar family's ambition. We believe that in order to achieve this, something had to give, and what has given in fact, and will probably give more in the future, is actual arms production. They are cutting back on conventional weapons and cutting back on planes. They are taking quite a risk, what we might call unilateral disarmament. We also feel very strongly, though I regret to say that Colonel Emley or whoever will come up from CSI will not yet agree with me formally. They probably have made substantial reductions in their armed forces: they have announced 640,000 and a million two hundred thousand, and these have probably been largely implemented in fact. And this we have from very solid to my mind, highly secret type of intelligence which some of you have worked in, plus the overt figures of their labor force. They just wouldn't have the increments of the labor force they are getting now with the post-war dip as a result of the low birth rates in the late thirties and the early forties if it wasn't for this. So we feel, summing

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up where we are now and where they are going over the immediate future, that with this goal of concentrating on intensively building their power at home rather than adding a few acres to its periphery, they will play with matches as they are doing in Syria, but they won't deliberately start bonfires as they did in Korea. Obviously we are not making absolute predictions as to that but I say they are very long odds supporting this prediction.

Now, taking a look at the satellites. As you well know, the dramatic events of nine months ago in Poland on October 19th, was a very, very close call there between having another Hungary or to having a World War. In my opinion Poland remains, today, much the number one tinder box of the world as far as starting World War III is concerned. The Middle East may start trouble, and there may be volunteers mixing around, but I don't think you are going to get a genuine interchange of blows by major armed forces there as you might well get if the situation goes to hell and a back in Poland. For the moment, it looks less likely that it will go to hell and to back than it did a relatively few months ago, particularly in the middle of last winter. Gomulka, who is quite a boy, has now got a fairly stable party base of power which he lacked completely last fall and winter. He was isolated from the left and isolated from the right and was walking down a narrow knife edge with landlides on both sides him. But since the Stalinist purge in Moscow, he has, of course, very little to fear now from the tough guys, the right wing or Stalinist of his party.

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At the same time the intellectuals or the enragers, as they were called, are coming up on him because they see that his system is working a little, and they are no longer afraid of his selling out to the old Stalinists. Meanwhile, braced with the best harvest in twenty years in Poland, the peasants are relatively happy, because combined with a good harvest and some aid from us and some sales from the Canadians, the government has been able to tell the peasants: "No more forced deliveries." "You get everything you grow." "You can sell it on the market for cash." And so, the great base of popular support there is, at least, watchfully waiting and reasonably happy.

Again another item, the Church. He has made up with the Church. It is an uneasy marriage of convenience. There are many unresolved issues, but Cardinal Wyszynski and Gomulka have a form of concordat. The Kulturkampf, as the Germans would have called it, is over temporarily. Cardinal Wyszynski deserves tremendous credit for it. I don't mean to get into church politics here at all, but I think he didn't get the guidance and the backing from the Vatican he should have got. He was left pretty much on his own, and if his foot had slipped, the Vatican was in a position to deny him. But, as some wit put it very well: Cardinal Wyszynski was of the stuff of which the medieval cardinals were made. Regrettably, Cardinal Mindszenty in Hungary was of the stuff of which heroes were made and today in the satellite we need the old churchman - warrior-statesman kind of guy like Wyszynski.

But the weakness in the system lies - in the situation - lies in the industrial workers. The workers are still terribly disgruntled

and miserably underpaid, miserably overworked and the shelves are bare. The prospects of improving their lot immediately are just not in the cards. It's long slow work, but they have got to work harder first, and they refuse to work harder. They think the millenium has arrived and absentee statistics just incredible have averaged twenty-eight percent per day per factory of unexcused absences, and you saw recently strikes in Lodz and other places. That is where the spark might come as it did in Poznan a year ago.

Now, looking at the Army and this is the key thing, it seems to me, from your point of view and that of the planners, and I have said this to the top planners in the Army. The Polish Army is intensely, patriotically, loyal to Poland and bitterly anti-Soviet from top General Spychalski to the bottom lowest basic private. And if the Soviets pull a Hungary, no matter how hopeless it looks, the Polish Army will fight, and it will fight not as the Hungarians did by giving their rifles to a school kid, it will fight in military formations. It won't be able to hold up its integrity. The eighteen divisions won't be used or employable as a mass of maneuver but probably, divisional, or, at least regimental integrity will be maintained, and eighteen divisions plus a thousand first-line air craft constitute quite a force. Secondly, they will fight not by just going ~~into~~ hodgepodge and hopelessly sitting there till they are licked. They have a plan which they have told us in general terms (I wish we could get a little closer together with them) but policy seems to be against it for the moment. They will attack to the West because their one hope is to raise East Germany at the same time and also they will look to Berlin, which is just a short distance over the

Polish frontier, as you remember. It is, well, I guess down the Autobahn. It is about an hour in a scout car, if you had it free and easy, as a place which would necessarily involve the West. And once they start to fight they want World War III, and I believe that it is within their physical military power to create what would be World War III or a complete Soviet backdown. And I doubt if we would get a Soviet backdown. If there is no war there over the next few years, I look for a slow, but very slow reorientation of Polish policy toward the West. Gomulka has got to go slow because it is in his interest to accommodate himself to Soviet international objectives in return for Soviets leaving their hands off on his internal affairs. That is probably the basic trade. So when you say: "Gee, isn't it awful? Poland - we give them ninety-five million dollars and they spit in our eye over Syria or something like that," remember he couldn't care less about Syria. He has got problems in Warsaw and Breslau and Krocaw or, however it is pronounced, and those are the only matters that concern him.

Turning now to Hungary. I am not going to say a word there about the facts. Turning to documents which I would call "text" reading for you in this academic year of yours, is the UN report on Hungary. It is one of the most brilliant jobs of starkly and irrefutably setting forth in masterful understatement, the realities of a savage and brutal conquest. But I will try to answer for you in a word or two briefly: Why did the Soviets do this? Why did they temporize for several days up to and including the 30th of October which was a week

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after the students first blew their lids off in the streets of Budapest. It appeared that the Soviets were at least trying to keep two courses of action open, one of which would be a bloodless accommodation as they were in the process of arranging in Poland, but suddenly, as we know, they lowered the boom. The boom was lowered in fact on November 4th, but we know the final decision was made on the night of October 30th right after their declaration that indicated that Warsaw Pact countries could arrange not to be occupied and so on and so forth. Now, what we think happened there is that this coincided with several events. In the first place the revolution took on, let's be frank about it, a white terror complex. The people, and I don't blame them a little bit, whose kid brothers had been tortured to death by the AVII, the secret police, took after the nearest AVII guys and they beat them to death and strung them up to lamp posts and so on and so forth. That is in the communist handbook the classical form of white terror. Marshal Mannerheim, the suppression of Bela Kun, all of that comes back before them plus the fact that the government under Nagy abandoned the Comiss form of government, didn't even pay lip service to it, and denounced the Warsaw Pact. That convinced the waverers, if there were any of the moderates back in the Kremlin, that this was a clear case of Fascist counter revolution obviously backed by the Western powers. But if that weren't enough, at the same time, don't forget, the

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Therefore, the military in the Soviet Union obviously said to themselves: "The danger of World War III against our wish is very, very great, and, in addition, the world's attention and the world's conscience is now diverted. The only sensible military thing to do is to clean up this mess, this breach in our glacis, or whatever the right engineering term is there, and do it fast and do it with plenty of troops." And as you know, they threw virtually as many tanks into Hungary in the next few days, November 4th, 5th, and 6th, as Hitler threw against Russia on all three fronts on June 21st, 1941. They did not send a boy to do a man's work.

The situation today, of course, there is God awful and tragic, but there is a sign that Tito and Khrushchev did meet with Hungary topic number two after resolving doctrinal differences between Yugoslavia and Russia in their meeting in Rumania last month and that Kadar will go and that some effort will be made to put a window dressing on the Hungarian situation that will look better from the world point of view and would have to be at least a little better from the point of view of the poor bastards still having to live there.

The other satellites can be dismissed in a word. They always have been more apologetic in Czechoslovakia and less willing to stick their necks out in Rumania and Bulgaria and with a lesson of Hungary before them and the fact that Khrushchev has come and repatted Novotny and Ulbricht on the back, they are accepting the tightness of the lid and we don't look for real trouble there of any of those countries.

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I hedge my bets a little on East Germany. You never can tell but that somebody will get sore and slug a cop and then there will be shots fired and any one of these things remains a tinder box. Don't let me understate that fact.

In summary in the satellite picture, the key thing I would say from your point of view outside from what I said specifically on Poland is, of course, the recognition by all sides that the satellite armies are at best unreliable - all this investment, all their mutual defense assistance programs, so to speak, turns out to be a goose egg, if not worse from their point of view. And secondly, and I think this is of historic importance, it does show that people with their bare hands and people with no military training and the school of the Molotov cocktail still have a form of power in cities against disciplined, mechanized troops. The way that the Budapest first revolution succeeded was an eye opener. Personally, I think most people in the government and the services felt that the day of the barricades of the bedsprings and the paving blocks as an element of force in a political situation were gone with the machine gun or with the armored tank. It clearly has not. Though, of course, when you want to re-run over something with a full scale, group-of-armies invasion you can, of course, do it.

As far as the Jugs are concerned, we believe that Tito and Khrushchev have reestablished the cordiality point that they reached in June of '56. They haven't gone beyond it. They are still fencing. They are still wary one with another. But both see their own best interests in laying off of name calling and in general cooperation. Tito remains a communist.

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Don't ever forget, he believes, ultimately, the communists will rule the world, and he didn't become a charter member of the club to be absent when the final victory banquet is given. At the same time he wants to be certainly sure that he has at least as good a position as France had in World War II, if and when the stupid capitalist bloc and the stupid Stalinist type of communist bloc should get in war with one another, and that means this sort of waltzing back and forth act that we see him doing, trying to get the best of both worlds.

Turning now to the Far East within the bloc and talking about China, I think one of the key historic events I would cite for you in this, if not the most important of all, but I don't want to get into superlatives, but at least a fascinating phenomenon of last year is the emergence of China as the arbiter in Eastern Europe. After all you think back to your history books, not since the cavalry of Batu and Subotai rode up and down the Hungarian plain and defeated the Western armies at Liegnitz seven hundred odd years ago, has China played any role in European politics. Yet now Chou En-lai's trip and the declaration of December 29 which settled pontifically the proper role between junior partners and senior partners in the communist bloc came out of Peiping was their form of saying: "Boys, listen to us, we are the wise statesmen. Maybe you have got more steel mills and you have got more tank divisions and more planes, but we, now, are a voice to be reckoned with from the Elbe to the Pacific and not just from the Altai to the Pacific."

Internally, we find fascination in Mao's famous secret speech of last February, which has been published almost in full, on contradictions and begging for criticism from all elements under the rubric of "Let a

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hundred schools of thought contend; let a hundred flowers bloom." Why did he do that? Well, the best analysis of that that we can pull together working with our friends from the [REDACTED] is sort of five-fold. The Chinese communist party is essentially confident that it has crushed the opposition and is moving to a new stage. It is a statement of confidence and not of fear. They are entering the phase of socialisation in which the premium is on brains and technique rather than just on the aim of a destructive revolutionist. The top leaders, still idealists, are awful worried about intermediate people getting fat and easy or just what they call bureaucratic; and thereby, offending the great mass of the populous and weakening the cause of the party in power, and they desire to find out who among their servants were particularly objectionable on those scores. Then they also desired - this analysis goes - to move from the discipline of an army, the conquest being over, to the intellectually stimulating and inventive phase of the classroom or as they call it the missionaries' camp. But all of these are subordinate probably to the great worry that confronted Mao Tse-tung and Liu Shao-Chi that maybe they are in the same position that the Hungarian regime was in. How could they be sure, buried within the dragon city, that they were getting accurate reports about the feeling in the countryside. They just didn't dare trust their various echelons and informants all the way down not to be sycophantic in reporting what they thought their superiors would like to hear. And this is characteristic of China in its heyday in the great Tang Empire thirteen hundred years ago issued a similar decree - that from all sides the people were to come and missives were to be sent

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to him in his city in Siam so that he could hear first hand what the  
bitches and complaints were. With the lesson of Hungary, as I say, fresh  
in mind they just wanted to let the lid off and see what emerged.

Now, people have miscast this speech, I think, in saying they wanted  
to let all the sore heads stick their heads up and then they would cut  
them off. As far as real revolutionaries, sure; but they were doing  
that anyway. But this was a case of finding out where the sores were  
on the foot, so to speak.

Why are they confident? I think for the same reason very briefly  
that the people are confident in the Soviet Union. Economically, though  
they have had extraordinary disasters (the '34 floods and '36 typhoons  
were worse respectively in modern Chinese history at least since records  
have been kept), they are making industrial and agriculture progress.  
The five hundred million Chinese peasants - this I don't like to say,  
but it is a fact - have never had it so good. It's still pretty awful  
but it is perceptibly better than it was under the warlords or than it  
was in the last days that grandfather, great grandfather, would remember  
in the Manchus. Industrially, though, starting from a negligible base,  
they are making considerable progress. Again I come to my own personal  
preferred little barometer-machine tools - zero production of machine  
tools in 1942; 20,000 machine tools being made I think last year - 1956.  
Again compare US 64,000 - nearly half that. It is by no means down on the  
floor where it was, and their progress of doubling industrially every  
five years would bring them - and we believe they will roughly achieve  
this at the end of their next two five-year plans - say ten years  
from now - to the level of industrial output that is being achieved by

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they will clearly be the world's fifth

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most important industrial power - far out reaching [REDACTED] That worries us primarily because it is not recognized at the policy making levels of this government. They persist, in what to my mind is a fatuous signment of imagination, in the belief that communism is a passing phase in China and the Chinese - great people - will shrug their shoulders and it will fall off into the sea or into the sands of the Gobi Desert. But intelligence has not been very successful selling its views on that score.

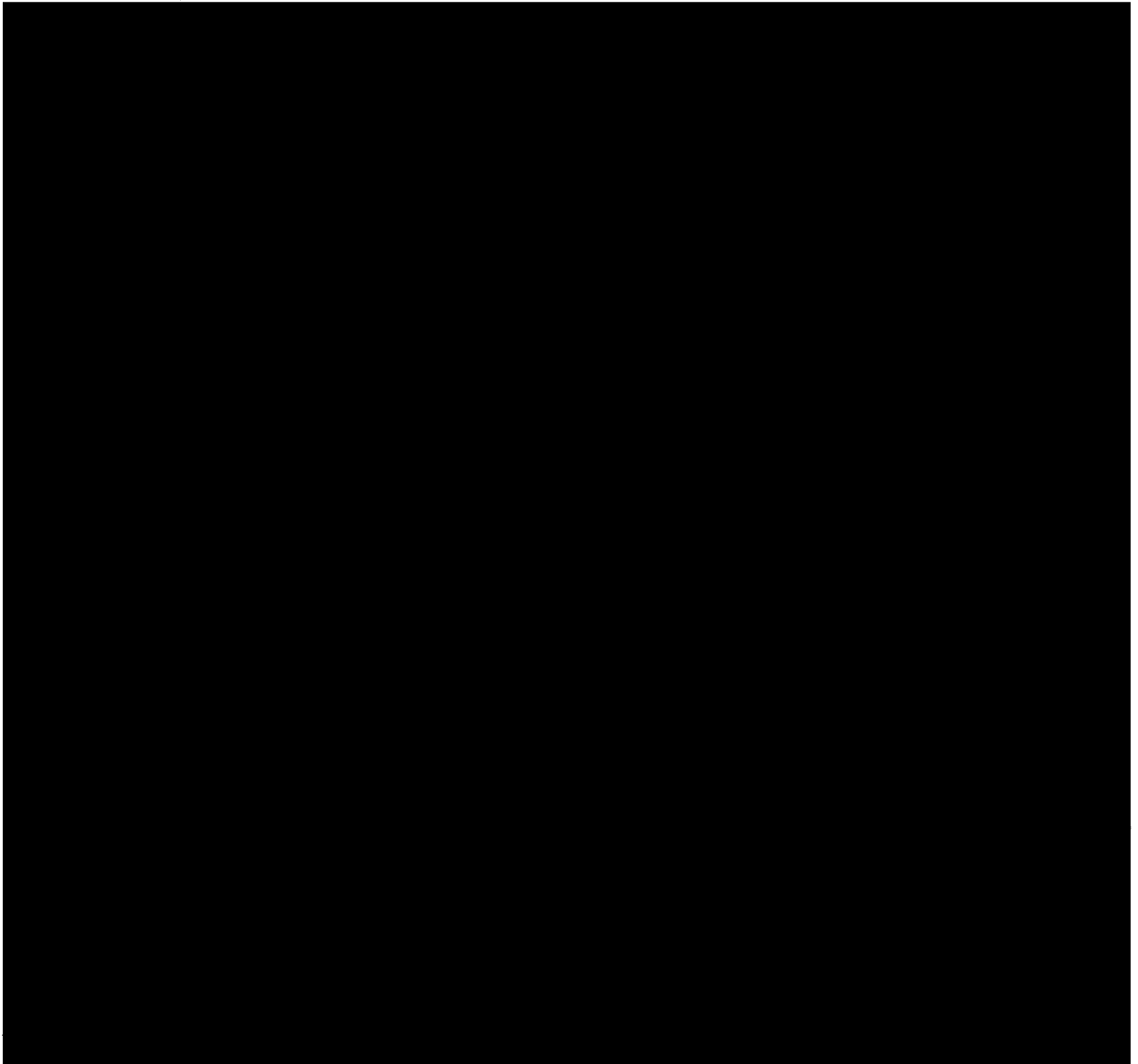
Now, conversely to that and now we have got to move fast - I will move outside the iron and bamboo curtains - but starting right here since I am on China there is naturally a malaise - a developing in my mind, slippage in the situation on Taiwan. Not that we think that the Gino or any of the people around him now are trying to make a deal, but we see a perceptible decline in moral in the key middle level, bureaucrats and officers - a hopelessness as to return to the mainland as triumphant conquerors - a total unwillingness to settle as great Han people for isolated life on an island that ultimately will be dominated by Taiwanese, indigenous Taiwanese, for whom they have contempt. And we feel that in the next year or two this situation could become critical. We had a clear if small manifestation or symptom of it, the raid on the embassy in Taipei last May. The more they become completely dependent on US generosity and power, the more bitterly as a great middle kingdom descendants they resent it and reject it and boom! something like the sergeant's acquittal comes and they fly off the handle. And there is a recent unpublicized event, most of you probably haven't heard of, they

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threw all of the Americans off one of the bathing beaches. It had been an isolated American bathing beach by Taipei and a mob just moved in and the senior officer present very wisely ordered evacuation and gave up the beach or otherwise there might have been a good many Americans beaten up or beaten to death by this ugly mob. That happened only the last day of July, I believe. Time is running out (I always meet up on my time) - allocation so we will start hitting Europe pretty much with a hop, skip, and jump.

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regime, we are just too proud to worry about that. They realize that that will probably mean that countries like Syria and Yugoslavia will turn around and recognize the East German Republic, but they now have the confidence that that regime never, never, never, can have any status, so it is better to ignore it than to make an issue out of it.

In France we see, of course, a relatively horrible and darn near hopeless situation in Algeria. Pacification despite all the French communiqués just plain hasn't worked. It works in the area where a good battalion of French combat troops is billeted or bivouacked for the moment and keeps its patrols, but the minute they move on the Moslem nationalism and terrorism becomes a dominant force. If the French offer them that kind of a deal, and it wouldn't have to be complete independence, but a form of commonwealth status which might appeal to the admittedly tired and in some cases well motivated leadership of the Moslems. It is almost certain that the right wing in France in the Assembly just won't buy it, or that they would get a Colon revolt - a Colon-Army revolt in Algeria. And that is a terrible dilemma.

Meanwhile, of course, they are being bled white, militarily and financially. If you go back and look at the 1954 Lisbon goals - in 1954 it wasn't Lisbon, I think, but wherever it was - France was supposed to have fourteen divisions on the line in NATO. Today she has got two pretty sad hollow divisions there and all the rest are either non-existent or are bogged down in the mountains and valleys of Algeria, and financially, they have lost a billion dollars of their foreign exchange in the last year. The recent reforms may cut that rate down to less, but most of the treasury experts I talk to feel that the drain will go on and they are down



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to their last sou. They have got less than 860 million bucks left. At that rate they have got eight months foreign exchange when they just got to say: "Sorry, no can pay." They will be like Turkey, then, and whether or not we bail them out or [REDACTED] will bail them out is quite problematical. Will all of that lead to a major turn over in France as some people say - the end of the fourth republic? I personally don't think so. France has a tremendous strength of the inertia type. Somebody said they have had the most volatile changes in cabinets, but the actual people who run the offices, the Inspecteurs-des-Finances kind of people are the world's probably most carefully selected and carefully protected bureaucracy and go on doing business at the old stand, and the one thing they insist is they don't want a man on horseback and probably have the ability to prevent it either from the left or from the right.

Another country worth keeping your eye on in trouble in the NATO area is Turkey. Turkey is beginning to lose its equilibrium, to get very, very mad at things and to be quite emotional, as Turks can be. The depth of their feeling on Cyprus is really chilling and we have some evidence, though I am not prepared to accept it yet, that they just may take matters into their own hands and just take Cyprus away from [REDACTED] To hell with it. They know [REDACTED] won't attack an ally and they are just going to settle that by a coup de main. In the junior officer ranks they think that would be a hell of a good idea. At the same time, Turkey is so sore at our guidance on its financial doings and our telling them they have got to cut their garment to suit their cloth that they are beginning to make hints of loneswifing

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is, of getting in a position like Yugoslavia and maybe taking aid from the Soviet Union. Nothing public on this, but we do have evidence that policy papers are being written in their NSC - type staff of what would be the situation were Turkey to be neutral and not a member of either coalition.

Looking at Europe as a whole, however, the strides in the last year toward integration both on the EURATOM front and the common market front have been most encouraging, if you take a century or a generation's look at Europe, that is, of course, its only real future---some form of ultimate unity, and they have made moves in that direction.

Now, the Near East is, of course, the dog's breakfast and it is particularly that type of situation at this very moment. Most generally I can say here that the papers are reporting what is happening; the facts as we know them don't differ much from the facts on the front pages of the paper as far as details. Let me try and pull some of the key elements together for you rapidly. The first place is, of course, the Soviet - What are the Soviet aims there? We believe very strongly that the Soviet ultimately, we are sure, wants to run the world. The idea that it wants to take over Azerbaijan or run a Soviet flag up in any part of the area is premature. What they want now, primarily, is recognition that they are a major world power there. Our refusal to accept them as such is both frustrating and enraging to them and I think may be one of the things that makes them play with matches a little more than they should. Of course, if we did, on the other hand, they would become respectable, the local communist parties or the extreme left wing Bathists and others would get a shot in the arm and

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we are damned a little if we do and damned if we don't.

Fundamental factors that remain there, however, are not reassuring from our side. They are playing on the side of the new Arab nationalism. A nationalism that does not know country boundaries as they now exist. When an Arab young scholar, bureaucrat, lawyer, whatever he may be talks about many states, one nation, he really means it the same way our forefathers meant it in the 1700's. Sure they were proud to be Virginians or Rhode Islanders. But they wanted one country and they were bound and determined, the majority of them to get it, and of course we did. And we tend to play too much with now, the three kings, the ancient dynasties running back into the dim dark Middle Ages - slave trading kings and Cadillac kings, and so on and so forth; and I just believe that it is a little like playing within the side of the kingdom of the two Sicilies or the Duchy of Parma in 1860 when Mazzini and Garibaldi were running around and stirring up Italy. For example, in Jordan - the king has dire trouble there. Two thirds of the people and most of the Palestine refugees on the West side of the Jordan River don't regard the king as a hero for what he has done. They regard him as a traitor to the Arab Cause, and if he were assassinated, as his grandfather, I guess it was, a few years ago, they would be out in the streets applauding. That is a nasty thing to say, but it is just a cold-blooded intelligence fact. For the moment with his Bedouin officered army he has the situation in military control, and he has done a very good job and he has got a lot of personal courage and I admire him as a man, but as an institution, he isn't the way of the future.

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Iraq is trimming. They, for example, will not give a green light to our companies building the so-called "Met" line, the pipe line that will run through Southern Turkey to get away from the weakness south of there, because they don't want to see Arab oil running through an Ottoman country. Muri al-Said, the recently retired Prime Minister, would have gone for it in a big way.

Just a word on Syria. As I say, I can't add much to what is known there. It has gone with the wind in the sense that a communist oriented army is thoroughly in control of the situation. The officers who amount to anything, General Baghestani, who inclined to the West, are at worst in jail and probably being beaten up at best are under house arrest and are negligible internal influences. Panic in Lebanon, Turkey, and Iraq about this which may straighten them out in some of their other wanderings, and interestingly enough there is quite a change of heart in Egypt. Some of us like Hank Byroade and others who said Nasser was not all bad predicted this. He is a damn nuisance and as Churchill would say, "a squalid nuisance," but that he was a communist cat's paw was never the case, and he is now showing by his reaction that he believes Syria has gone too far and he probably has the few remaining internal assets that could help overthrow the situation there without involving open use of force by Turkey or Iraq. What is going to happen, I don't know, obviously; but the pressure on us from Baghdad and from Ankara to stand aside and sort of hold the Bull wire fence while they go in and clean the situation up militarily will be very great, and of course, if we do that the Soviets have committed themselves, not formally, but in talks at diplomatic receptions, to aiding. I repeat my evaluation

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that they would not come in and start World War III to save Syria by a damn sight, but they might throw in an awful lot of strike-anywhere matches in the form of Lebanese volunteers, and so on and so forth, and recognize a government in exile. It can be a very, very bloody mess. On the other hand, if we do nothing and just let the communists secure their beachhead there, the situation in Lebanon and Jordan will deteriorate very rapidly - in fact, Malik is already saying that the cities of Tripoli and Sidon have gone already. The mobs there are in the hands of communist agitators. It wouldn't have to be an invasion from Syria or across the mountain; there will just be a take-over and God knows where that could lead, so I, personally, (it is not my business to be talking policy) think that this is a point of last clear chance and we had better take our risks now rather than wait for bigger ones to confront us.

Again in the Yemen. Everybody says a poor little Yemen. A couple of date-covered, sand-covered mountains - what the devil difference does the Yemen make? Well, the Yemen by itself doesn't make any difference, but the whole world, as a good friend of mine says, is divided up among pieces and squares on the chess board and the Yemen is a very valuable square even if the piece on it isn't worth a tinker's damn.

25X6A And there, today, the Soviets, as I pointed out to one of my [REDACTED]  
25X6A friends in town, have more armor in-being than [REDACTED] had on June 4<sup>th</sup>, 1940, and the Aden protectorates, immediately to the East and South-east of it, are very tempting prizes now that Cities Service has brought in a brand new great field as you probably read in the papers on the southern face of Arabia. The claims of the king of the Yemen, too, the

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Haydramut as it is called, are as good as the claims of many sheiks to other areas there and what a beautiful springboard that would be for the Soviet communism as its real beachhead into Africa - to the horn of Africa, Somalia, and down into what used to be the seat of the Mau Mau and so on and so forth. If Somalia becomes independent, it will be a weak and timorous little country, starting, I think, in the summer of 1960, and I think it is not too early to be quite alarmed about the situation there.

In free Asia, elsewhere, I don't like the situation in Iran. In one sentence the Shah is mixing much too much into internal management of government. He is trying to run it in the old Louis XIV sense of *l'etat, c'est moi*. He won't give his good Prime Minister Eghai, or his Minister of Public Works, Ebtahaj, a free hand to throw out corruption. And the danger is that in the longer term, rather than immediately, this will play into the hands of troublemakers in the street mobs and we may have another resurgence of Tudeh strength, particularly if there is deterioration elsewhere in the Middle East. The shah would be much better off to confine himself to being a dignified figurehead and let people who know how to govern, govern.

Now, four countries in free Asia, I would like to tick off a few words about, and then conclude. In India we see a very serious crisis, in my mind, and I get sick and tired of people who just kick off India as one country among 81 to 106, whatever there are in the world. It is one-seventh of the world's people. And what are we witnessing there? Last winter one state - the state of Kerala with thirteen million people and is as big as Iraq and Jordan and Syria combined-- quietly voted

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itself a communist government and the communists took over and they are devilishly clever. They gave away all the automobiles to the hospital. They ride bicycles to work. They put fans in the jail and jails are damn hot in Kerala (or I'm led to believe, not having been stuck in one) and that is the kind of thing that to the little poor man in the street looks awful good. This is the government of the people, not the government of the old fat congress party men from way up north, and it has given a tremendous boost to the morale of the CP elsewhere and the CP in India has, of course, by defeating the Socialists in the last election, become the number two party, which leads me to the next point on India. There is a terrible financial crisis there, even worse than the one in France. Half of their foreign exchange has gone in the last nine months. They just completely misplanned on this first stage of the second five-year plan, and with our Congress cutting the hell out of the foreign aid bill, it is perfectly obvious we are not going to be able to be more than a drop in the bucket to help them, and no other free world country has enough. The legal backing of their currency is now being invaded which could lead any time in a few weeks to a real financial panic in the markets of Calcutta and Bombay. This would be coupled with a necessity to clamp down on any concessions to labor, etc. tell the congress-party-led labor unions: "Not a chance boy, - go on working for what you are getting, there is nothing in this for you until we solve this crisis." This would play right into the hands of the communists who say: "See, your labor leaders aren't willing to really fight for you. Come join one of our's. We'll do it." So India

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is either going to have to go through, probably, an inflationary financial blowup or cut back its goals and its second five-year plan drastically. In either case, the Free World will suffer a tragic loss, because all over Asia, in fact all over the underdeveloped world, people are watching this great race of the giants from the floor, so to speak, between China and India. China is, as I said a while ago, doing pretty well. And if India does very badly, then even moderate failures by China will look good and the way to the future will seem to be the Communist way.

Now, in Indonesia there is a very, very lugubrious situation, at least on the island of Java; and while Java looks small on the map, it is, of course, 50 odd million out of the 77 million Indonesians. Soekarno, a dangerous, dangerous fellow, bewitched by what he has observed in China and Russia, and bewitched, as somebody said, by a Russian mistress planted on him during that trip. He has completely turned his back on western style democracy which he now characterises as quote: "Chatterbox democracy" and is plump in what he calls economic and social democracy which is either communism or Hitlerian national socialism, as you choose to label it. In Java, as a result, there has, similarly, been a series of elections all through the island. The communists have added fifty percent to their voting strength at a minimum, and in many cases, more than that and though they are now not the majority party, they are by all odds the large plurality party. In most sections they have between thirty-three and thirty-eight percent of the total vote. All, it seems, at the expense of the nationalist

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party, which was Soekarno's party. In other words, because Soekarno is talking this way, the communist agitator is allowed to go around saying: "Vote for Soekarno by voting for us." So there is a funny unnatural situation. I am sure Soekarno, himself, isn't pure communist, but he is doing everything he can to make life easy for the communists there. Meanwhile, in the outer islands dominated by the army and the theocratic Moslems, you have a tendency to pull apart - (probably if things go much worse in Java) actually to secede. On the other hand, there is a strong centripetal pressure there because they are all proud to be Indonesian Nationalists and nobody wants to fragment his country. There is no magic in a free independent Celebes or a free independent Sumatra. They want to be the saviours of Indonesia.

I believe you should think, and think very seriously, about the strategic meaning to the United States of the loss to Communism, or even bad neutralism of Indonesia. Try to define the so-called off-shore island chain without either including a link between the Philippines and [REDACTED] or a link across to the peninsula of Malaya, and I find it a little difficult to do. So you would have a very serious breach there, and Lord knows the [REDACTED] so view it. The [REDACTED] are talking very, very tough [REDACTED] as you 25X6 will remember from the Suez days, and at any certain point they may just decide: "To hell with it. We are going to go get this boy and we are going to do it with a pretty fast little task force." And they would have the power. There is no question, they would have the power to go in and temporarily seize the Djokjakarta area.

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In Thailand your newspapers are carrying stories (and I think correct ones) that the triumvirate there is falling apart. General Sawit of the army was forced to resign, but he is only engaged in a gambit. He has resigned to bring the cabinet down, and he thinks in so doing he is going to knock off General Phao, the chief of police and security, and emerge as the single strong man. Phao thinks he will emerge as the single strong man and Mr. Phibun, the Prime Minister, is sure that he is and will remain the single strong man. But each of them, as they see their position weakening, will be tempted to turn to the other piece of power there, Mr. Pridi, who was thrown out in 1947 and since then has been kept nicely in the hot house in Canton and in Peiping by the Chinese Reds; and if he becomes the balance of power in Thailand, Thailand at best will go completely neutralist like Cambodia and Burma, and at worst might get over almost into bed with the communists as the Indonesians under Sukarno are doing.

Laos, I think many of you have looked into that, know what a powerless situation you have there. It really is one that we have built too much hope on. After all, you do a little comparative geography and I am sorry I don't see my way through the tarpaulin there, but Laos is, in fact, as big as two-thirds of Italy, roughly the same shape, and yet it has got a million and a quarter people. It is a vacuum on the world scene, and to expect us by military aid programs and sort of visa and vigor and energetic young ambassador (a wonderful guy) to get them to clean it out and sort of stick their chin up against six hundred and twenty million "Chinks" is a bit unrealistic. And I

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think we should honestly be prepared there, that if it goes fuzzily neutralist or almost communist, we should not deplore because the rest  
 25X6A of the world, [REDACTED] and France and the localities would certainly not tolerate our starting World War III or a Pacific War to save Phnom Sely and Sam Neua. And I don't think the American people would be awfully enthusiastic about it either.

Now, I am going to close with three general notes of what I think are of historic significance but not related to any particular area. The first of these is my feeling that one of the more significant things of last year is the emergence of the UN general assembly as the world's most important forum, even though it was thoroughly ineffective in Hungary. We warned the [REDACTED] about this last August when we knew they were playing with fire in the Suez, and they pooh-poohed it, but by God they got their "come uppance." There are, in a sense, no spheres of influence any longer in the sense that trouble-warlike trouble in any area of the world is not just a matter of interest to the big powers or those with recognizable interest there; it is the business of eighty-one nations - all eighty-one in the UN. Our policy, of course, has been all along to foster the United Nations and our coalition - the grand coalition of the free world. And last fall, for the first time, we had regretably to choose between them. We made the choice, rightly or wrongly, and I am not inclined to criticize it. It is obviously an arguable point, but that is not my point at all - we chose the UN. We used an instrument - the uniting for peace resolution that we had designed to cope with the Soviet veto, but we used it not over a Soviet veto, but over the veto of our oldest and best friends, the

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[redacted] and the French. In Korea, [redacted]

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[redacted] but in Egypt the UN intervention was a genuine international action in which, of course, no great power was involved other than as holding the ropes outside. And henceforth, whether we like it or not, having made this choice, our national fortunes are very largely merged with those of the UN. Where it succeeds, we succeed. Where it fails, we pro tanto fail. We must, therefore, always be able to command the votes of one-third and preferably of two-thirds if we want affirmative action. The military implications of that are obviously staggering. It virtually means that we employ our great force only when we can get the votes of two-thirds of the free world's governments. But essentially, this is a problem that shouldn't lick us. It is a problem of persuasion. It is a problem of political machination, and we are and should always remain better at it than a dictatorial society like the Soviet Union. It requires all kinds of finesse. For instance, we are dealing with what you might call, in a political sense, "rotten boroughs", San Domingo and Nicaragua. We have got kindergarten nations like the Sudan and Laos to lead along onto our side from time to time. You've got old sophisticates like the Scandinavian countries that know better how to run the world. But somehow or other we have got to be able to pull them together when needed in order to give that kind of a sanction which I think this administration, and probably any succeeding administration, will require before it really threatens or actually uses force.

The second general function is closing is, and I regret to say

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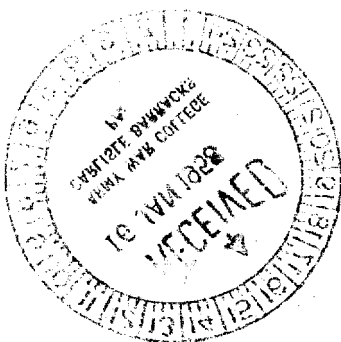
this isn't part of what CIA is supposed to comment on because it is domestic, but it has an international affect, so I have got to mention it. You might say the firing of America. America, as evidenced in its Congress and its speeches and in the assemblings of its politicians is damn well tired of shoring up the world all the way around. We would be willing to go back if it is something dramatic like a Korea, but the expensive unsavory job of saving the Indian's second five-year plan, helping the Iraqis do this, keeping the Turkish army up, keeping this and that and the other up, is definitely no longer enthused about - by the great body of our hundred and seventy million people and their spokesmen in Congress. And that is thoroughly disturbing to our friends. That is, in large measure, the reason that many people are hedging their bets as maybe in Thailand where the boys say: "How long can we really rely on this? We better square our books, our accounts with the north".

Third, and finally, just to bring to your mind, disarmament, controls and inspection. One thing I think intelligence can say on this is that there is a considerably greater chance of our entering into an important, but admittedly first stage, disarmament agreement with the Soviet Union in the next year or so, than there is of our being involved either in large scale war or in brush fire peripheral war. This is a brand new challenge, intellectually and physically and otherwise, to the profession of arms and the profession of intelligence, and I don't think we have given as much thought as we could either in schools like this or in our staffs as to how we are going to cope with it.

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But these three things together, a disarmament context, the importance of an international assembly, and the fact that our own people are growing momentarily weary of the struggle, makes a frame of reference in which all of these discussions of individual countries should be viewed. Thank you, gentlemen.



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